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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

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THE WORLD CARRYOVER AND CONSUMPTION OF AMERICAN COTTON

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October 13, 1927.

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In the preparation of the usual monthly survey of the cotton price situation for September, the Bureau of Agricultural Economics used the Bureau of the Census estimate of stocks of American cotton in the United States, the International Cotton Federation's estimate of foreign mill stocks and the Commercial and Financial Chronicle's estimate of stocks in foreign ports and afloat, as an indication of the world's carryover of American cotton into the new season beginning August 1, 1927. These estimates indicate that the world's carryover of American cotton was about 7,800,000 bales. The publication of this figure has given rise to many inquiries concerning sources used and reasons why this figure differs from that of the New Orleans Cotton Exchange. The following table presents the estimates used by the Bureau in comparison with the estimates of the New Orleans Cotton Exchange, with foreign cotton and linters deducted from each of the items in so far as it is possible to do so.

American lint cotton: World carryover on July 31, 1927 1/

	New Orleans Cotton Exchange	Used by the Bureau of Agricultural Economics	Difference	Source used by Bureau of Agricultural Economics
	1,000 bales*	1,000 bales*	1,000 bales*	
In the United States	2/ 3,551	3,663	112	Bu. of Census
Foreign mills	1,185	1,692	507	Int. Cotton Fed.
Foreign ports and afloat	2,216	2,463	247	Com. & Financial Chronicle
Total	6,952	7,818	866	

*Running bales.

1/ For more detailed figures, see attached table.

2/ Total linter stock as reported by the New Orleans Cotton Exchange subtracted from the U. S. total, assuming practically all the linter stocks accounted for were in the U. S.; if this is not true the Exchange estimate of lint cotton carryover in the U. S. should be raised by the amount of linter stocks in foreign countries but this would not affect the world total as the same amount would have to be deducted from foreign lint stock figures.

The sources quoted are those from which statistics are commonly used for analysis of the cotton situation. Criticism of their use this year appears to arise on account of the fact that there is a considerable difference between the carryover indicated by the New Orleans Cotton Exchange and that indicated by these sources. The reports used by the Bureau, therefore, will be analyzed and compared in detail with the report of the New Orleans Cotton Exchange.

The first carryover item to be considered is stocks in the United States. For this item there is but one official source, the Bureau of the Census. According to the mimeographed statement released

by the Census August 15, 1927, the carryover of cotton in the United States amounted to 3,762,000 bales but this included some foreign cotton. According to a printed card later distributed by the Census Bureau, foreign stocks in consuming establishments and public storages and warehouses amounted to 99,000 bales, which subtracted from the total leaves a carryover of 3,663,000 bales of American cotton in the United States. This the Bureau accepts. The Commercial and Financial Chronicle and Commerce and Finance also accept this figure. Since the New Orleans Cotton Exchange report was issued August 1st, it could not take into account the Census estimate of stocks in the United States. It is difficult to compare the figures of the New Orleans Cotton Exchange with those of the Census for the reason that the Exchange figures contain linters and the location of the linter carryover is not indicated. According to the Census there were 252,000 bales of linters in consuming establishments, in public storage, and at compresses. This would account for all but 34,000 bales of the Exchange estimate. The entire amount, 286,000 bales, is therefore deducted from the Exchange estimate of carryover in the United States, on the assumption that little if any of the linter stocks included in the estimate is in foreign countries. This reduces the New Orleans Cotton Exchange carryover of American lint cotton in the United States to 3,551,000 or 112,000 bales less than the estimate of the Bureau of the Census.

The foreign mill stocks according to the New Orleans Cotton Exchange amounted to 1,185,000 bales as compared with 1,692,000 bales

estimated by the International Federation. Examining the items of the two reports, it will be observed that the report of the Exchange contains no mill stocks item for Canada, India or China. The August 1st report of the Exchange states that "practically all the cotton we have exported to China and India has gone to the mills and it is safe to include it as consumed". Nothing is said about Canada but it appears that all cotton shipped to Canada is also considered as consumed. But it is reasonable to believe that there is some carryover of American cotton in the mills in these countries. Conditions in the past year have been such as to encourage mills to stock up with American cotton. The International Federation reports quantities for each of these countries, amounting in total to 254,000 bales, and also 10,000 bales in other non-European countries not accounted for by the Exchange.

The New Orleans Cotton Exchange estimate of the carryover in Japan is 23,000 bales greater than the estimate by the Federation. Taking this into account, the Exchange estimate of foreign mill stocks outside of Europe is 241,000 bales less than that of the International Federation.

Furthermore, there is a difference of 266,000 bales between the estimate of European mill stocks as published by the New Orleans Cotton Exchange and the International Cotton Federation. Since the exchange report is not itemized by countries, it is impossible to locate the difference in this case as it was in the case of non-

European countries. The only information given by the Exchange report about the source of the European mill stocks estimate is that it was telegraphed by Mr. Thomas R. Ellison of Liverpool. Thomas R. Ellison is a member of the Liverpool Cotton Exchange and of the firm of Ellison and Farrie, merchants and brokers. A review of the annual Cotton Exchange reports reveals that in the past seven years Mr. Ellison has revised his estimates upward four years and reduced them one. His revisions have ranged from a 25,000 bale reduction to an increase of 170,000 bales. He gives no details as to carryover in the different countries excepting that Great Britain is reported separately from the continent. The International Cotton Federation report is based upon returns from mills and the original publication shows separately the carryover in each country of any importance. In the absence of official estimates the Bureau accepts the estimates of the Federation as representing what appears to be the more complete survey of foreign mill stocks. The Commercial and Financial Chronicle and Commerce and Finance also accept the Federation estimate which is 507,000 bales in excess of the estimate of the New Orleans Cotton Exchange.

The most uncertain of all the items used is the stocks in foreign ports and afloat. According to the New Orleans Cotton Exchange, these stocks amount to 2,216,000 bales and according to the Commercial and Financial Chronicle, 2,463,000 bales, a difference of 247,000 bales. The difference in these figures is to be found mainly

in the estimates of stocks in ports and afloat for the Orient. The Commercial and Financial Chronicle estimate of European port stocks and afloat for Europe is 5,000 bales less but for the Orient 252,000 bales more than the Exchange estimate. The Exchange estimates port stocks and afloat for Japan only, while the Commercial and Financial Chronicle estimates stocks in ports and afloat for Japan and China. Neither gives port stocks and afloat for India. In the absence of official sources the Bureau accepts the estimate of the Commercial and Financial Chronicle as appearing to be the more complete survey of stocks in foreign ports[1/] and afloat.

1/ There may be some duplication of mill stocks in the port stocks on account of mills reporting as mill stocks their holdings in ports.

World Consumption

The Price Situation statement issued September 15 also contained the following:

> "Total mill consumption of cotton of all growths for the past season reached a high record of 25,880,000 bales compared with 24,681,000 bales for the 1925-26 season. The world mill consumption of American cotton for the year ending July 31, 1927, was 15,777,000 bales as compared with 13,730,000 bales for the year ending July 31, 1926."

The Bureau customarily uses Census reports as to consumption in the United States and the International Federation reports as to consumption in foreign countries. Since the Federation uses the Census report for the United States, the figure used by the Bureau is the same as the International Federation's estimate of world consumption of American cotton. The Federation's report appears to represent a fairly complete survey of the cotton spinning industry of the world. It is reported that about 90 per cent of the mills make returns, leaving only 10 per cent to be estimated by the Federation. The estimate published by the New Orleans Cotton Exchange appears to be based upon statistics of cotton brought into sight and stocks at the beginning and end of the season. In a review of the carryover figures, it has been pointed out that the Exchange stocks survey is incomplete. Using this method of estimating consumption, therefore, annual variations in stocks at points not covered by the Exchange survey affects the accuracy of annual estimates of consumption made on this basis. For a period of years, the two estimates seem to amount to about the same, indicating that in the long run both are about equally accurate. The annual estimates since 1920 are as follows:

American lint cotton: World consumption

Year	New Orleans Cotton Exchange 1/	International Cotton Federation
	1,000 bales*	1,000 bales*
1920-21	9,816	10,030
1921-22	12,240	12,757
1922-23	11,989	12,666
1923-24	10,710	11,107
1924-25	13,568	13,256
1925-26	14,257	13,730
1926-27	16,375	15,777
Total	88,955	89,323

* Running bales.
1/ Revised, except 1926-27.

A review of these estimates brings out the fact that in four out of eight years the Federation's estimates have been larger than the Exchange estimates, and the total of the Federation's estimates for the eight years is 268,000 bales larger than the total of the Exchange estimates. It does not appear, therefore, that there is any definite bias in the one as against the other nor that in the long run the one is to any appreciable extent more complete than the other. However, owing to methods of estimating consumption and the fact that not all points are covered in the carryover survey the New Orleans Cotton Exchange estimates of consumption may be too high for years in which conditions are such as to induce foreign mills generally to increase their stocks of American cotton.

American cotton: Estimates of world carryover on July 31, 1927

	U. S. Bureau of the Census 1/	International Cotton Federation 2/	New Orleans Cotton Exchange (Hester) 3/	Commercial and Financial Chronicle 4/	Commerce and Finance 5/
STOCKS IN UNITED STATES	1,000 bales*	1,000 bales*	1,000 bales*	1,000 bales*	1,000 bales*
Mill stocks-					
Cotton growing states	882		a/ 951		
Other states	522		b/ 553		
Total mills in United States	1,404	1,325	c/ 1,504	c/ 1,524	c/ 1,603
Stocks other than mill-					
Counted interior towns			248		
Uncounted towns & plantations			1,030		
United States port stocks			923		
Stocks in interior and in transit outside of the cotton belt			132		
In public storage and at compresses	1,823			1,856	1,876
Elsewhere	d/ 535			635	543
Total in United States	3,762		3,837	4,015	4,022
Deductions-					
Foreign cotton in United States	99				99
Linters	f/		e/ 286	352	260
TOTAL AMERICAN LINT COTTON IN THE UNITED STATES	3,663		3,551	3,663	3,663
STOCKS OTHER THAN IN THE UNITED STATES					
Mill stocks-					
Europe		1,041	775		1,041
Japan		387	410		387
China		68	---		68
India		117	---		117
Canada		69	---		69
Sundries		10	---		10
Total foreign mill stocks		1,692	1,185	1,692	1,692
Foreign ports and afloat-					
European port stocks			2,093	1,848	1,839
Afloat for Europe				240	257
Japan and China ports & afloat			g/ 123	375	h/ 70
Total foreign ports and afloat			2,216	2,463	2,166
Grand total			7,238	8,170	7,781
GRAND TOTAL, LESS LINTERS			6,952	7,818	7,521

See next page for notes.

Footnotes to table on preceding page.

1/ Mimeographed release, U. S. Bureau of the Census, August 15, 1927.
2/ International Cotton Federation, Preliminary Report, August 31, 1927.
3/ Annual Report of the Secretary of the New Orleans Cotton Exchange, August 1, 1927. 4/ Commercial and Financial Chronicle, September 17, 1927, page 1511. 5/ Commerce and Finance, September 21, 1927, page 1907.
* Running bales.
a/ Southern mills.
b/ Northern mills.
c/ Includes linters. The census figure includes some foreign cotton but no linters. The Federation figure is that of the Census less foreign cotton.
d/ Includes cotton for export on shipboard, but not cleared; cotton coastwise; cotton in transit to ports, interior towns, and mills; cotton on farms, etc. (agents and trade reports).
e/ Total linters according to report to be subtracted from the total carryover in all positions. In the other estimates total of linter stocks appears to be in the U. S.
f/ Census reports separately 252,000 bales of linters of which 199,050 were in consuming establishments and 52,831 in public storage and at compresses.
g/ No estimate for China.
h/ Estimate only for afloat to the Far East.